

Spectrum of Investment Options

*A guide to the investment options available to you through the
Kentucky Public Employees' Deferred Compensation Authority Plans*

*Kentucky Public Employees'
Deferred Compensation
Authority 457 and 401(k)
plans are sponsored by the
Commonwealth of Kentucky*

Simple. Smart. For You. For Life.

Investing doesn't have to be complicated. As a participant in the Kentucky Deferred Comp Program, you have a choice between two simple investing approaches:

- 1 Professionally Managed Funds** — Simply pick the fund targeted to your retirement date, and let an expert money manager do the rest.
- 2 "Do-it-Yourself" Portfolio** — Choose and manage your individual funds on your own by completing a Q&A guide that will measure your risk tolerance and time horizon, and direct you to a recommended asset allocation model.

Whichever choice you make, the Authority is proud to provide Kentucky's public employees access to simple, cost-effective and professionally managed investment options for retirement planning.

And we're here to help you along your way to *Retirement Readiness!*



KentuckyUnbridledSpirit.com

Introduction

The Authority offers two tax deferred supplemental retirement savings plans:

- **Plan I** – authorized by Section 457 of the IRS Code
- **Plan II** – authorized by Section 401(k) of the IRS Code

The available investment options, outlined herein, have been selected by the Kentucky Public Employees' Deferred Compensation Authority Board of Trustees, with the assistance of its investment consultant/advisor. Plan administration is performed by the Authority under the direction of the Board of Trustees. Plan communication, enrollment services and record-keeping are performed by Nationwide Retirement Solutions, Inc. (NRS) and Nationwide Investment Services Corporation (NISC), its affiliated NASD registered broker/dealer. Nationwide Retirement Solutions may be contacted at 502.573.7925 or 1.800.542.2667.

Step 1 – Determine your Investing Style

This Spectrum of Investment Options is designed to help you compare, at a glance, the type of investments – and the relative risk and return potential – of each available option under both Plan I and Plan II. The Spectrum is broken up into two categories:

- 1) Professionally Managed Lifecycle Funds
- 2) Do-it-Yourself Portfolio

Within each section, the investment options are listed from most conservative to most aggressive. **If you would prefer to invest in a professionally managed fund, please proceed directly to the Lifecycle Funds section of this document. If you would prefer to "do it yourself", please proceed to Step 2.**

Step 2 – Choose an Asset Allocation Model

Risk-based asset allocation models seek to maximize potential total return based on levels of risk. This asset allocation program allows you to choose a portfolio based on your individual risk tolerance and time-horizon. The Authority has an Asset Allocation Questionnaire available to help you determine your personal investor profile. Please call 1.800.542.2667 to request a questionnaire.

- ☒ Check the box next to the asset allocation model to the right that best suits your risk tolerance and time horizon.

The use of asset allocation does not guarantee returns or insulate you from potential losses. Asset allocation is a rational strategy for investment selection. Simply put, it is the process of diversifying your investment dollars across different asset classes. It helps you maximize your return potential while helping to reduce your risk.

The pie charts reflect the asset allocation program developed by Ibbotson Associates. This program uses a broad approach to diversify holdings across six general asset classes which include combinations of different types of stock investments, bonds and cash equivalents. It can help you determine and implement your personal investment strategy by selecting funds from the Spectrum that match your investor profile.

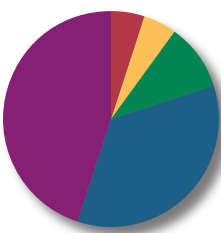
Step 3 – Select your Investment Options

Using the asset allocation program as a guide, and this brochure as a planning tool, select your preferred funds within the model and specify the percentage (____%) of your deferral that you would like allocated to those funds.

Ultimately, these percentages will be transferred to your Participation Agreement that is completed during the enrollment or fund change process.

The asset categories are subject to change, and the Authority makes no representation or assurance that a fund's asset category will stay the same over time. You can view this information online at kentuckydcp.com.

The Conservative Model is designed for an investor with a low risk tolerance and/or a short time horizon. It is targeted toward seeking investment stability and liquidity with the main objective of preserving capital. Fluctuations in the value of this are typically minor.



	Conservative Model
International Stocks	5%
Small-Cap Stocks	0%
Mid-Cap Stocks	5%
Large-Cap Stocks	10%
Bonds	35%
Fixed Income/Cash	45%

Fixed Income/Cash

% Fixed Contract Fund 3

Ticker: n/a **SAVER #** 5323 **Category:** Stable Value **Objective:** Stable Income
Seeks a consistent level of current income while preserving investment principal. Consists of high quality investment contracts issued by insurance companies, banks and other financial institutions. Invests in units of various commingled investment funds in order to broaden diversification. The commingled funds invest in high quality fixed income securities. Participants can earn a blended rate of return, net of any fees, based on the interest rates earned by the fund's investments.

% Federated Prime Obligations Money Market Fund (Instl)

Ticker: POIXX **SAVER #** 3450 **Category:** Money Market **Objective:** Current Income
Seeks to provide current income consistent with stability of your principal, by investing in commercial paper, certificates of deposit and obligations issued or guaranteed by the U.S. government.
An investment in a money market underlying fund is not insured nor guaranteed by the FDIC or any other government agency. Although the money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the money market.

Investment Option Types

Stable Value Funds seek to deliver stable positive returns that, over time, may be higher than cash investments such as money market funds. Stable value funds invest in investment contracts that obligate the issuer of the contract to maintain principal value. Most stable value investment contracts invest in high-quality fixed income investments (bonds) that are owned by the plan or trust.

Bond Funds invest in a selection of bonds. A bond is a loan by investors to a private company or the government, that pays regular interest income over a specified period of time. The borrower repays the principal (the amount borrowed) at the end of that period. The return of a bond fund is a blend of the interest earned by each of the bonds held by the fund and any gain (or loss) from selling bonds before they mature. Bond funds are subject to the same credit, inflation and interest rate risk as the underlying bonds.

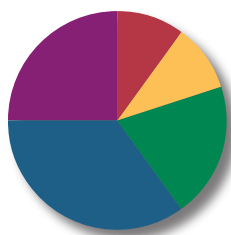
Balanced Funds invest in a selection of both bonds and stocks. Stocks are shares of ownership in a company.

Stock (Equity) Funds invest in a selection of stocks issued by several different companies. The return comes from dividends, if any, the appreciation in the value of the shares held, and gains (or losses) from the sale of the stocks by the fund.

- **Small-cap stocks** are issued by companies whose capitalization (the total value of the company's outstanding common stock shares) is less than \$1.6 billion.
- **Mid-cap stocks** are issued by companies whose capitalization is between \$1.6 billion and \$8.9 billion.
- **Large-cap stocks** are stocks of companies whose capitalization is more than \$8.9 billion.

Moderately Conservative

The Moderately Conservative Model is appropriate for investors who seek modest capital appreciation and have either a moderate time horizon or a slightly higher risk tolerance than the most conservative investor. While this range is still designed to preserve the investor's capital, fluctuations in value may occur from year to year.



Moderately Conservative Model

International Stocks	10%
Small-Cap Stocks	0%
Mid-Cap Stocks	10%
Large-Cap Stocks	20%
Bonds	35%
Fixed Income/Cash	25%

Bonds

% Vanguard Total Bond Market Index Fund (Admiral Shares)

Ticker: VBTX **SAVER #** 8964 **Category:** Intermediate-Term Bond **Objective:** Index
Seeks to match the performance of the Lehman Brothers Aggregate Bond Index, a broad market-weighted index that encompasses U.S. Treasuries, investment grade corporate bonds, international bonds and mortgage-backed securities.

% Federated U.S. Government Securities Fund: 2-5 years (Instl)

Ticker: FIGTX **SAVER #** 3448 **Category:** Short Govt. **Objective:** Short-Term Treasury
Seeks current income through a portfolio of U.S. government and federal agency securities maturing in five years or less. (Targets 2-5 year average maturity range.)

While the fund invests primarily in securities of the U.S. Government and its agencies, the fund's value is not guaranteed by these entities.

% Western Asset Core Plus Bond Institutional Fund

Ticker: WACPX **SAVER #** 2520 **Category:** Intermediate-Term Bond **Objective:** Total Return
Seeks total return consistent with prudent risk and liquidity. The fund invests primarily in U.S. dollar-denominated debt of foreign and domestic issuers, including corporate bonds issued or guaranteed by the U.S. government, and mortgage-related securities. Management attempts to maintain a dollar-weighted average duration within +/- 20% of the average duration of the domestic bond market as a whole. It expects to maintain an average portfolio duration between four and six years. The fund may invest up to 25% of assets in foreign issues.

% Neuberger Berman High Income Fund (Investor Class)

Ticker: NBHIX **SAVER #** 6436 **Category:** High Yield **Objective:** Intermediate-Term Low Quality
Seeks high current income by investing in a diversified portfolio of U.S. intermediate-term high yield corporate bonds category BBB/Baa or lower (including those sometimes referred to as "junk bonds") with maturities of 10 years or less.

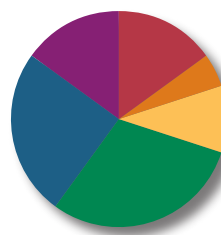
High yield funds are typically subject to greater risk and price volatility than funds which invest in higher-rated debt securities.

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The fund descriptions contained herein: (1) are proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) are not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Moderate

The Moderate Model best suits investors who seek relatively stable growth and have a higher tolerance for risk and/or a longer time horizon than conservative or moderately conservative investors. The objective of this model is to provide steady growth while limiting fluctuations to less than those of the overall stock market.



Moderate Model

International Stocks	15%
Small-Cap Stocks	5%
Mid-Cap Stocks	10%
Large-Cap Stocks	30%
Bonds	25%
Fixed Income/Cash	15%

Balanced

% Vanguard Wellington Fund (Admiral Shares)

Ticker: VWENX **SAVER #** 8957 **Category:** Moderate Allocation **Objective:** Balanced
Seeks to provide conservation of principal, reasonable income return, and profits without undue risk, by investing in bonds and common stocks (normally 60% - 70% in common stocks).

Large-Cap Stocks

% Fidelity Equity-Income Fund

Ticker: FEQIX **SAVER #** 3374 **Category:** Large Value **Objective:** Equity Income
Seeks reasonable income with the potential for capital appreciation. Invests primarily in income-producing stocks with a yield higher than the composite yield on the stocks in the S&P 500 Index, with the remainder in convertible debt obligations.

% Davis New York Venture Fund (Class A)

Ticker: NYVTX **SAVER #** 6451 **Category:** Large Blend **Objective:** Growth
Seeks capital appreciation by investing primarily in stocks of companies it believes are well-managed and underpriced, with long-term growth potential.

% Fidelity Contrafund

Ticker: FCNTX **SAVER #** 3268 **Category:** Large Blend **Objective:** Growth
Seeks capital appreciation. The fund invests in securities of companies with valuable fixed assets. It also seeks securities it considers undervalued in relation to the issuer's assets, earnings or growth potential.

% Vanguard Institutional Index Fund (S&P 500)

Ticker: VINIX **SAVER #** 8464 **Category:** Large Blend **Objective:** Index
Seeks to match the investment performance of the S&P 500 Index, an index emphasizing large-capitalization stocks.

% Fidelity Growth Company Fund

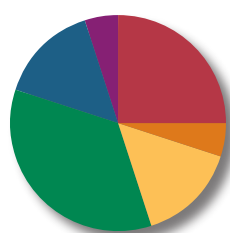
Ticker: FDGRX **SAVER #** 3347 **Category:** Large Growth **Objective:** Growth
Seeks capital appreciation, investing, under normal market conditions, at least 80% of its net assets in stocks and securities convertible into common stocks of companies which its investment manager believes offer better-than-average prospects for long-term growth. The fund may invest up to 35% of its total assets in foreign securities.

% American Funds: Growth Fund of America (Class R4)

Ticker: RGAEX **SAVER #** 7626 **Category:** Large Growth **Objective:** Growth
The fund's eight-member team of portfolio managers invests independently of each other but with a common flexible growth strategy. The team will invest in a mix of traditional growth stocks, turnaround situations, and cyclical names. The resulting portfolio is well diversified across industries and individual issues.

Moderately Aggressive

The **Moderately Aggressive Model** is designed for investors with a high risk tolerance and a longer time horizon than conservative, moderately conservative, or moderate investors. The objective is capital appreciation. Investors in this model should be able to tolerate moderate fluctuations in portfolio value.

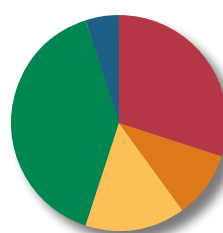


☐ Moderately Aggressive Model

International Stocks	25%
Small-Cap Stocks	5%
Mid-Cap Stocks	15%
Large-Cap Stocks	35%
Bonds	15%
Fixed Income/Cash	5%

Aggressive

The **Aggressive Model** is appropriate for investors with both a high risk tolerance and a long investment time horizon. The objective is to provide high growth for the investor's assets. Possible substantial fluctuations in value from year to year make this model unsuitable for those with a short-term investment horizon.



☐ Aggressive Model

International Stocks	30%
Small-Cap Stocks	10%
Mid-Cap Stocks	15%
Large-Cap Stocks	40%
Bonds	5%
Fixed Income/Cash	0%

Mid-Cap Stocks

___ % J.P. Morgan Diversified Mid-Cap Value Fund (Class A)

Ticker: OGDIX **SAVER #** 7142 **Category:** Mid-Cap Value **Objective:** Value
Seeks capital appreciation by investing mainly in stocks of companies with below-market price-to-earnings ratios and market capitalizations of \$500 million to \$10 billion.

___ % Vanguard Mid-Cap Index Fund (Instl)

Ticker: VIMAX **SAVER #** 8685 **Category:** Mid-Cap Blend **Objective:** Index
Seeks to parallel the performance of the S&P MidCap 400 Index by investing in each stock found in the index, in essentially the same proportion as represented in the index. It may also invest in stock futures and options, contracts, warrants, convertible securities and swaps.

___ % T. Rowe Price Mid-Cap Growth Fund

Ticker: RPMGX **SAVER #** 7736 **Category:** Mid-Cap Growth **Objective:** Growth
Seeks long-term capital growth by investing in common stocks of Mid-Cap companies with above-average growth potential. These companies generally have a market capitalization that falls within the range of the companies in the S&P Mid-Cap 400 Index.

Fund prospectuses can be obtained by calling 1-800-542-2667. Before investing, carefully consider the fund's investment objectives, risks, and charges and expenses. The fund prospectus contains this and other important information. Read the prospectuses carefully before investing.

Deferred Compensation Plan Service Representatives are authorized and licensed to explain the Deferred Compensation Plans and the available investment options. However, they are not permitted to provide investment advice.

Small-Cap Stocks*

___ % American Century Small-Cap Value Fund (Investor Class)

Ticker: ASVIX **SAVER #** 8917 **Category:** Small-Cap Value **Objective:** Value
Seeks long-term capital growth; income is a secondary objective. The fund normally invests at least 65% of assets in equity securities of U.S. companies with small market capitalizations. It may invest in foreign securities, convertible securities, corporate and government debt, and non-leveraged stock index futures contracts.

___ % Dreyfus Small-Cap Stock Index Fund

Ticker: DISSX **SAVER #** 3775 **Category:** Small-Cap Blend **Objective:** Index
Seeks to match the investment results of the Standard & Poor's SmallCap 600 Index. The fund normally invests in at least 80% of assets in the stocks that comprise the index (in the same percentages as represented in the index) and stock-index futures.

___ % Neuberger Berman Genesis Fund (Trust Class)

Ticker: NBGEX **SAVER #** 6432 **Category:** Small-Cap Blend **Objective:** Blend
Seeks capital appreciation by investing primarily in common stocks of small cap and mid cap companies with a total capitalization of under \$1.5 billion. It invests in companies whose stocks appear underpriced, with a strong potential for growth.

___ % Vanguard Explorer Fund (Adm)

Ticker: VEXRX **SAVER #** 2510 **Category:** Small-Cap Growth **Objective:** Growth
Seeks long-term growth of capital by investing primarily in equity securities of small companies with market capitalizations between \$500 million and \$2.5 billion. It may also invest up to 20% of assets in foreign securities traded in either the U.S. or in foreign markets.

* Small company funds involve increased risk and volatility.

International Stocks**

___ % Templeton Foreign Fund (Class A)

Ticker: TEMFX **SAVER #** 7812 **Category:** Foreign Stocks **Objective:** Large-Cap Value
Seeks long-term growth of capital by investing primarily in stocks and debt securities of companies and governments outside of the U.S. It can invest in all types of securities in any foreign country, developed or underdeveloped. It generally invests up to 25% of assets in foreign debt securities.

___ % American Funds: Europacific Growth Fund (Class R4)

Ticker: REREX **SAVER #** 7636 **Category:** Foreign Stocks **Objective:** Large-Cap Blend
Seeks long-term growth of capital by investing at least 80% of assets in stocks of strong, growing companies ranging from small to large based chiefly in Europe and the Pacific Basin. All holdings are non-U.S., except a nominal portion that, for liquidity, may be held in U.S. dollars or equivalents. Other holdings include American Depositary Receipts, European Depositary Receipts, bonds and cash.

___ % Federated International Small Company Fund (Class A)

Ticker: ISCAX **SAVER #** 3446 **Category:** Foreign Stocks **Objective:** Small/Mid Growth
Seeks capital appreciation by investing at least 65% of its assets in stocks of foreign companies with market capitalizations of less than \$1.5 billion.

** International investing involves additional risk including: political instability, currency fluctuations, and foreign regulations.

Professionally Managed Funds

Lifecycle Funds

The Fidelity Freedom Funds are lifecycle funds, offering the power of a diversified set of mutual funds in a single fund, with the added benefit of professional asset allocation.

Fidelity Freedom Funds

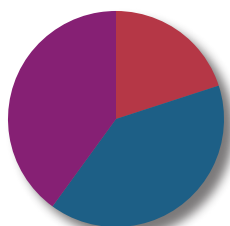
Freedom Funds have an asset allocation mix among stocks, bonds, and short-term instruments that is more aggressive when you're younger and get more conservative as you near retirement. Pick one fund with a target retirement date closest to when you want to retire, and Fidelity's expert money managers will do the rest.

☒ Check the box next to the fund that best suits your target retirement date.

Note: Due to the design of lifecycle funds, investors selecting this approach normally designate 100% of their funds to one lifecycle income fund (e.g. 100% in The Fidelity Freedom 2010 Fund).

Key to Investment Mix

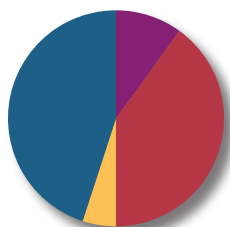
-  Domestic Equity
-  International Equity
-  Bonds
-  Money Market



☐ The Fidelity Freedom Income Fund

Ticker FFFAX SAVER # 2776

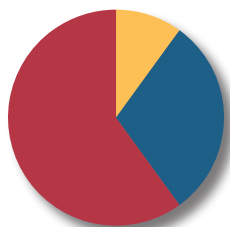
Seeks high current income, and, as a secondary objective, capital appreciation. The Fund invests in a combination of 19 underlying Fidelity money market, bond and equity funds, and allocates its assets among these funds according to a stable asset allocation strategy designed for investors already in retirement.



☐ The Fidelity Freedom 2010 Fund

Ticker FFFCX SAVER # 2757

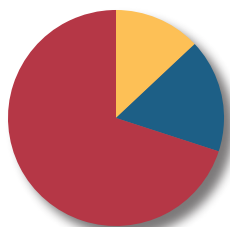
Seeks high total return by investing in a combination of 24 underlying Fidelity money market, bond and equity funds, and allocates its assets among these funds according to an asset allocation strategy. Upon reaching its target date, continues becoming more conservative for 5-10 years until the asset mix is approximately the same as the Fidelity Freedom Income Fund. Ultimately, the funds will merge. Targeted to investors expected to begin the receipt of retirement benefits around the year 2010.



☐ The Fidelity Freedom 2020 Fund

Ticker FFFDX SAVER # 2759

Seeks high total return by investing in a combination of 24 underlying Fidelity money market, bond and equity funds, and allocates its assets among these funds according to an asset allocation strategy. Upon reaching its target date, continues becoming more conservative for 5-10 years until the asset mix is approximately the same as the Fidelity Freedom Income Fund. Ultimately, the funds will merge. Targeted to investors expected to begin the receipt of retirement benefits around the year 2020.



☐ Fidelity Freedom 2030 Fund

Ticker FFFEX SAVER # 2761

Seeks high total return by investing in a combination of 22 underlying Fidelity money market, bond and equity funds, and allocates its assets among these funds according to an asset allocation strategy. Upon reaching its target date, continues becoming more conservative for 5-10 years until the asset mix is approximately the same as the Fidelity Freedom Income Fund. Ultimately, the funds will merge. Targeted to investors expected to begin the receipt of retirement benefits around the year 2030.

There is no guarantee that the investment objective of any fund will be achieved. Investment return and principal value will fluctuate, so that an investor's shares, when they are redeemed, may be worth more or less than their original cost. The Fidelity Freedom Funds are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. Therefore, in addition to the expenses of the Fidelity Freedom Funds, you are indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds.

Disclosure of Fees

Below are the plan administrative charges and fees applicable to the respective investment options:

Asset Fees

Fixed Contract Fund 3 account

The annual recordkeeping and administrative fee for this account is .34 percent. The credited interest rate reported on your quarterly statement is already adjusted for this annual fee.

Mutual fund accounts

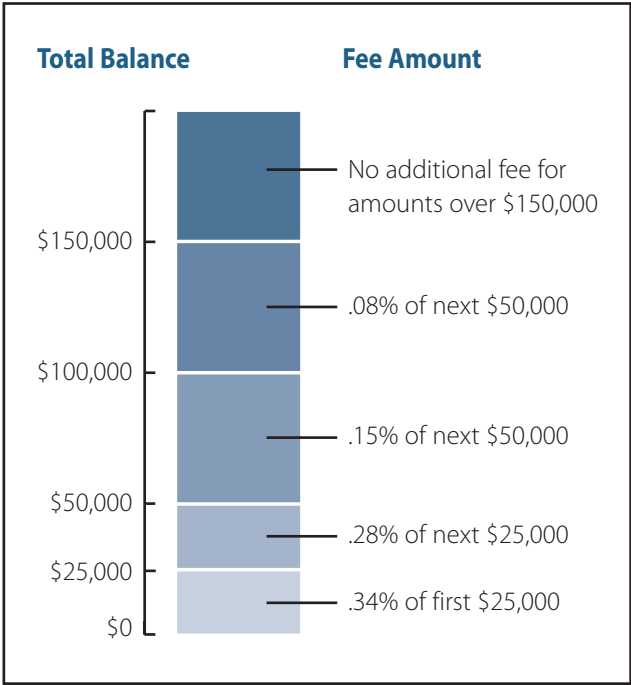
Beginning one year after the date of your first deferral, there is an annual recordkeeping and administrative fee, based on the first \$150,000 of your total balance in all mutual funds. A portion of this fee is collected each month. The fee is described below and illustrated in the chart to the right:

- .34 percent on the first \$25,000
- .28 percent on up to the next \$25,000
- .15 percent on up to the next \$50,000
- .08 percent on up to the next \$50,000
- no additional fee on amounts over \$150,000

First year free!*

Participants are not charged mutual fund recordkeeping and administrative fees until one year after the date of their first investment.

* Underlying fund management fees still apply.



Contact Information

The Authority 502.573.7925 or toll-free 1.800.542.2667
Your NRS Representative1.800.793.4401 (Option 5)
The Authority SAVER Line 1.800.793.4401
Our Web site..... kentuckydcp.com

For more information on a fund or to obtain a prospectus, you may contact the Authority or call the funds directly.
Their toll free numbers are listed on our Web site, kentuckydcp.com.

American Century Funds 1.800.345.2021	Neuberger Berman Funds 1.800.877.9700
American Funds..... 1.800.421.0180	J.P. Morgan Funds 1.800.348.4782
Davis Funds 1.800.279.0279	Templeton Funds..... 1.800.342.5236
Dreyfus Funds..... 1.800.782.6620	T. Rowe Price Funds 1.800.638.5660
Federated Funds 1.800.341.7400	Vanguard Funds..... 1.800.662.7447
Fidelity Funds 1.800.544.8888	Western Asset Funds 1.888.425.6432

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